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RUEHIL/AMEMBASSY ISLAMABAD 0803  
RUEHBUL/AMEMBASSY KABUL 0616  
RUEHKT/AMEMBASSY KATHMANDU 0296  
RUEHNE/AMEMBASSY NEW DELHI 0464  
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RUEKJCS/JOINT STAFF WASHDC  
RUEHGV/USMISSION GENEVA 0670  
RUEHVEN/USMISSION USOSCE 2639  
RUCNDT/USMISSION USUN NEW YORK 2018  
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C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 000949

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SUBJECT: GAUGING INFLUENCE IN THE KYRGYZ CENTRAL BANK

BISHKEK 00000949 001.2 OF 002

Classified By: Charge d'Affaires Lee Litzenberger for Reasons 1.4 (b) and (d)

11. (C) Summary: While Kyrgyz Central Bank Chairman Marat Alapayev maintains a low profile, Parliament Speaker (and former Central Bank chief) Marat Sultanov has recently backed three allies for positions on the Central Bank's nine-member Board of Governors. Four other Central Bank governors, responsible for more technocratic portfolios, have avoided the reshuffles affecting their colleagues. Meanwhile, the governor in charge of banking sector supervision, a key post in a country where allegations of money laundering and tax evasion have previously challenged the sector, returned to the banking sector after a four-year hiatus only last year. Contacts at the International Financial Institutions give the bank generally good marks, and there have been no recent public disclosures of banking sector improprieties. However, Sultanov's influence, Alapayev's political weakness, and concerns about banking supervision merit continued scrutiny. End summary.

Treading Carefully at the Top  
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12. (C) Marat Alapayev assumed the post of Kyrgyz Central Bank chairman after the 2006 ouster of his predecessor, Ulan Sarbanov. Sarbanov, a well-respected and outspoken appointee of former President Akayev, was forced out following questionable embezzlement charges. (Note: Sarbanov, current presidential chief of staff Medet Sadyrkulov, and three other defendants were acquitted of all charges in April 2006. End

note.) Alapayev, a "compromise" candidate deemed acceptable by the banking sector and senior government officials, lacks an independent power base. He left the chairmanship of a small Kyrgyz commercial bank to fill the top Central Bank post. While maintaining a "clean" reputation that includes a separate billable phone for his personal calls, Alapayev avoids the headlines. His discreet complaints of "threats" against his family and bribery allegations associated with his support for the failed Heavily Indebted Poor Countries initiative never reached the media.

#### Sultanov Stuffs the Board

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13. (C) While Alapayev treads softly, his authority over the Central Bank has been clipped by former Central Bank chairman (and current Parliament Speaker) Marat Sultanov's influence over the Central Bank's nine-member Board of Governors. (Note: Sultanov chaired the Central Bank from 1994-1998. End note.) According to a Central Bank advisor, Sultanov supported the March appointment of Suerkul Abdibali Tegin to replace Maksatbek Ishebaev as Deputy Chairman responsible for Reserves and Monetary Transactions. (Note: Ishebaev cited pressure from (former) First Deputy Prime Minister Usenov in his resignation letter. End note.) Abdibali Tegin, who hails from Sultanov's home town of Osh, had a stint at the Central Bank before moving to the commercial banking world and subsequently spending two years at the World Bank.

14. (C) Sultanov also lobbied for the appointment last October of his former parliamentary assistant, Samat Konokbaev, to the Board of Governors. Konokbaev is responsible for the Project Implementation Unit and contacts with international financial institutions. Described within the Central Bank as "Sultanov's man," Konokbaev's resume

BISHKEK 00000949 002.2 OF 002

includes prior studies in Japan and English-language skills.

15. (C) Sultanov also interceded to aid another fellow southerner, Abdujapar Tagaev, who previously worked as Minister of Communications and as Osh mayor. Tagaev, who covers information technology, reportedly accepts gifts, such as a trip to Venice, from contractors. Alapayev's predecessor, Ulan Sarbanov, had placed Tagaev "on leave" for attempting to influence contracting decisions at the Central Bank. However, after Sarbanov's ouster, Alapayev reinstated Tagaev reportedly at Sultanov's request. Tagaev is accused of meddling in the affairs of other Central Bank governors.

#### Banking Supervision in Uncertain Hands

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16. (C) A late 2006 reshuffle of the Board of Governors shifted banking supervision, one of the most critical Central Bank functions, to deputy chairman Kubanychbek Bokontayev. Although employed briefly by the Central Bank in 1992 and having four years' experience in the commercial banking sector, Bokontayev worked from 2002-06 as a journalist, public relations manager, Soros Fund employee, and United Nations project expert. His recent career path, when juxtaposed with the expertise required for banking supervision, raises eyebrows among observers concerned with previous allegations of money laundering and tax evasion in the Kyrgyz banking sector. Former Central Bank chairman Sarbanov told emboff that fellow bankers claim "we can do whatever we want" under Bokontayev's supervision.

#### Technocrats Remain in the Background

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17. (C) Amidst these changes, four members of the Board -- all female -- have remained seemingly removed from the fray. Munara Mirzabaeva, who is one of three deputy chairs, handles personnel issues. Larisa Tsiplakova, the only ethnic Russian on the Board, is in charge of accounting. Chinara

Imankulova, who previously handled bookkeeping for the Bank, now is responsible for payment systems. Sadat Djanibekova covers non-bank financial institutions such as credit unions, pawn shops and exchange offices. (Note: Supervision for the booming casino industry, which will be discussed septel, rests in the prime minister's office. End note.)

Comment

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18. (C) Despite concerns about external influence on the Central Bank as well as its power to govern the sector, there have been no questions raised publicly about the Central Bank's operations. The local International Monetary Fund office is located at the Central Bank, and has generally spoken favorably of the Bank's governance. However, the changes in the Central Bank Board's composition underscore the amount of influence Parliament Speaker Sultanov exerts beyond his parliamentary base. Sultanov's influence, Alapayev's political weakness and concerns about banking supervision merit continued observation of the Central Bank to ensure Kyrgyzstan's financial health.

LITZENBERGER